

Fighting Irish Capital



Gooooooooo Irish!!!



UNIVERSITY OF  
NOTRE DAME

Mendoza College of Business



# A little bit about me...



## John Stiver

B.A. in Economics/Mathematics (1993) – University of Buffalo

M.A. in Economics (1995) – University of Rochester

Ph.D. in Economics (2000) – University of Rochester

- *Macroeconomics and International Finance*

### Courses Taught at ND

- Managerial Economics (Undergraduate)
- Macroeconomic Analysis (Undergraduate)
- Money & Banking (Undergraduate)
- International Finance (Undergraduate)
- Microeconomics (MBA)
- The Economics of Financial Crises (MBA)
- Economics of the Firm (EMBA)
- US and Global Economy (EMBA)

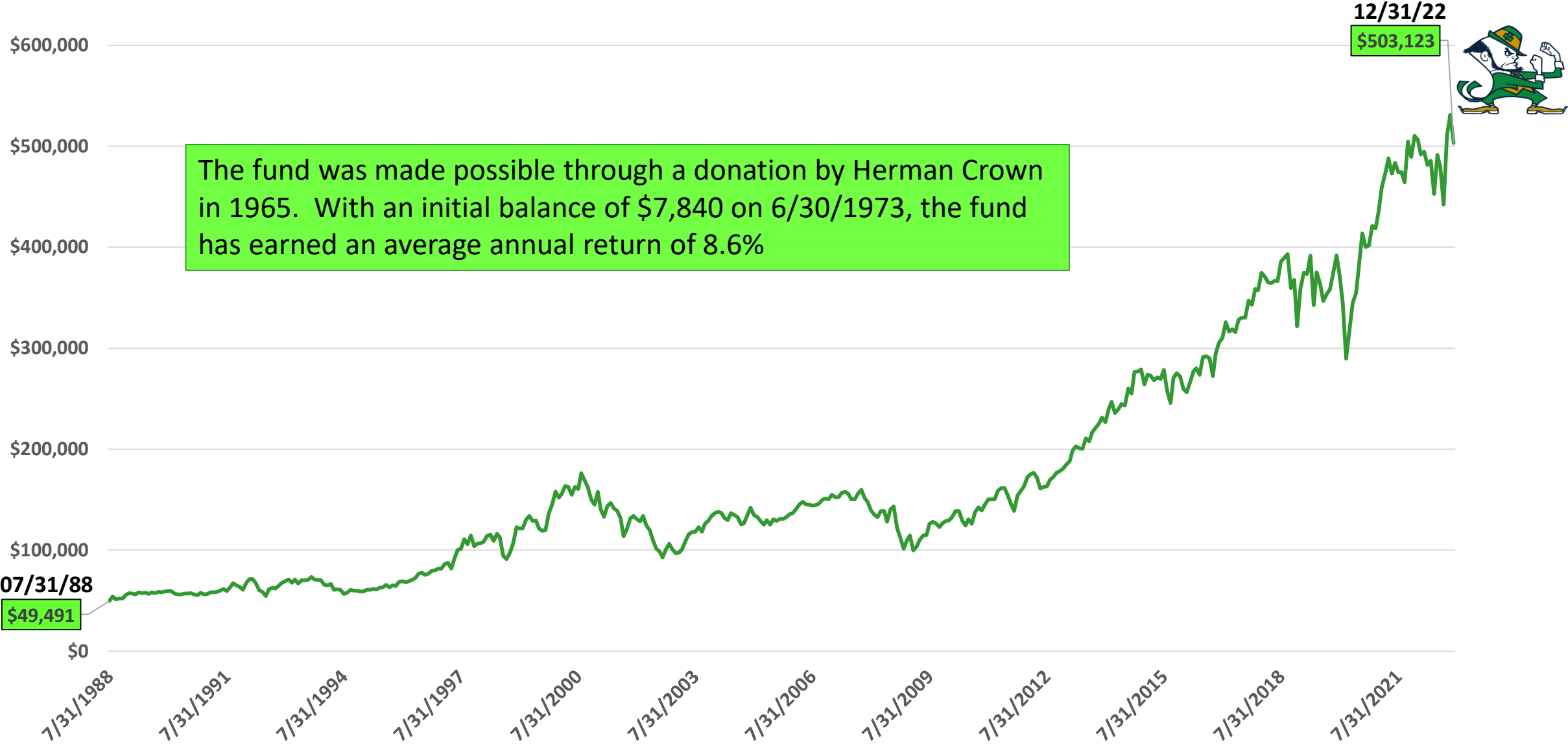
### Universities

- University of Connecticut (1999 – 2004)
- Notre Dame (2004 - )

### Advising at ND

- Undergraduate Investment Club (since 2005)
- Undergraduate Corporate Finance Club (since 2017)
- MBA Corporate Finance and Investments club (since 2020)
- Fighting Irish Capital (Since its inception in 2023)

# The Portfolio



# The Portfolio

Company	Shares	Cost Basis	Current Price	Current Value	Allocation	Total Return
Deere & Company	104	\$366.22	\$367.55	\$38,225.20	7.71%	0.4%
Hillenbrand Inc.	1081	\$18.69	\$47.38	\$51,217.78	10.32%	153.5%
The Home Depot Inc.	150	\$193.02	\$288.99	\$43,348.50	8.74%	49.7%
Lockheed Martin Corp	116	\$445.30	\$451.26	\$52,346.16	10.55%	1.3%
Gartner Inc.	130	\$327.15	\$327.61	\$42,589.30	8.59%	0.1%
Target Corporation	256	\$218.74	\$160.40	\$41,062.84	8.28%	-26.7%
Lam Research Corp.	77	\$591.26	\$596.01	\$45,892.77	9.25%	0.8%
Constellation Brands Inc.	177	\$230.98	\$230.69	\$40,832.13	8.23%	-0.1%
CVS Health Corp.	570	\$68.52	\$68.53	\$39,062.10	7.87%	0.0%
T-Mobile US, Inc.	302	\$125.65	\$137.94	\$41,657.88	8.40%	9.8%
SPDR S&P 500 ETF Trust	105	\$419.13	\$417.28	\$43,814.40	8.83%	-0.4%
Cash				\$16,021.00	3.23%	
<b>Total</b>				<b>\$496,070.06</b>	<b>100%</b>	



## The Fund

### **We are a long only equity fund!**

- No Short Selling
- No ETFs, Bonds, Etc.
- No Penny Stocks (<\$5 per share)
- No allocation greater than 10%
- Ideally, 10 Stocks in portfolio at all times

## Portfolio Management

### **We will not buy and then forget!!**

- Every position will be evaluated regularly
- The original pitch/model will be kept on file and updated as needed.
- New stocks will be pitched for sectors designated by the portfolio managers

## Transactions

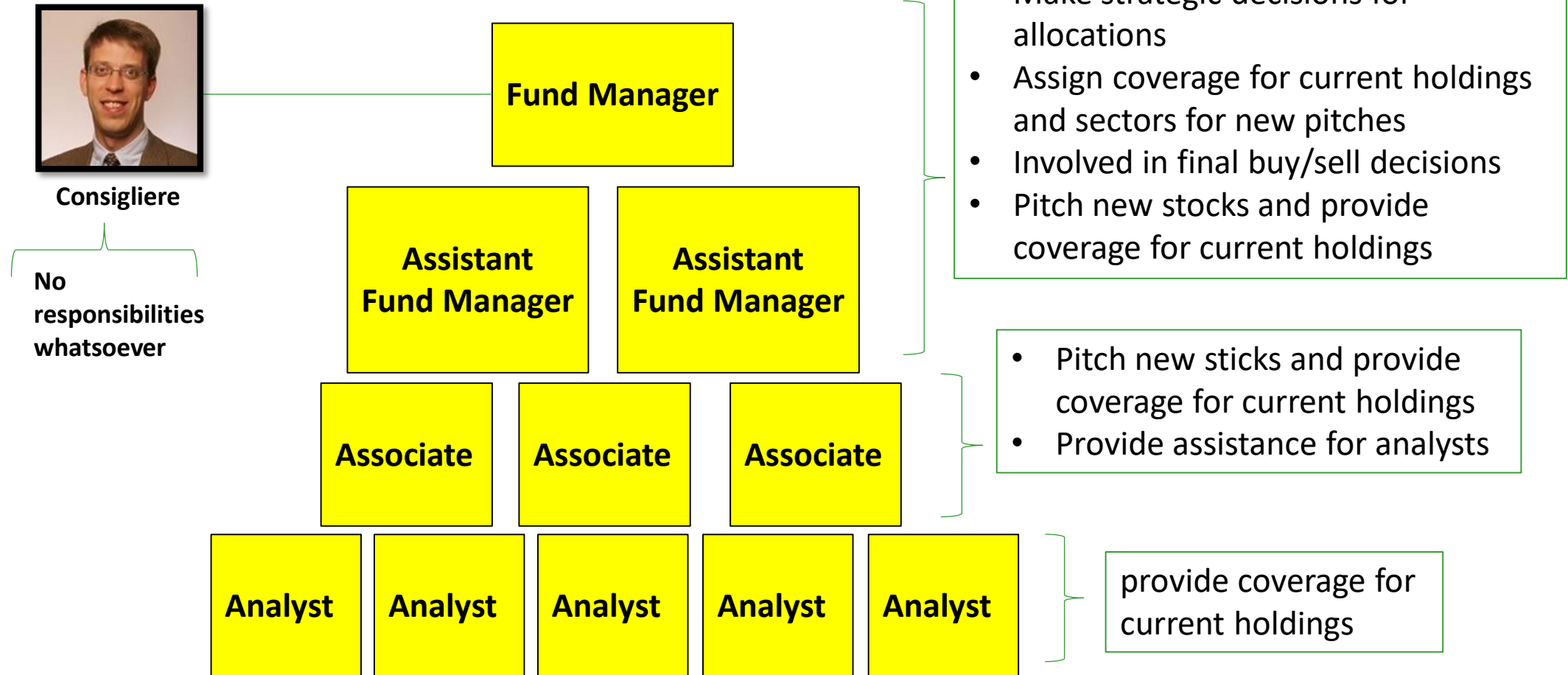
### **We make decisions as a group!!!**

- After pitches are made, a vote will be taken (buy/sell/hold)
- Close votes will be further discussed by the fund managers
- I retain permanent veto power (I have never exercised this!)

**We are not day traders, we are not chartists, we are not market timers, we are value investors!!!**



# Leadership structure










You choose your own level of involvement. Know that you get out of this what you put into this!

# Ideas for the Summer



## MSF Class Schedule

	Monday	Tuesday	Wednesday	Thursday	Friday
10:00 – 11:50AM	Corporate Finance	Python for Finance	Corporate Finance	Python for Finance	
1:00 – 2:50PM	Corporate Finance	Financial Accounting	Corporate Finance	Financial Accounting	
3:00PM – 5:00PM					

How often we meet is entirely up to you

# Ideas for the Summer?



The plan is to use the summer to get you ready to start doing valuations. My goal is for us to value a company as a group sometime in August.

## Big Picture Stuff

- What is value investing?
- Efficient Markets
- Financial Statements
- Enterprise Value vs. Equity Value

## Technical Stuff & Terminology

- From Revenues to Free Cash Flows
- Earnings and Margins
- ROIC and ROE

## Relative Valuation

- Equity Multiples
- Enterprise Multiples
- Common mistakes when using multiples

## Intrinsic Valuation

- Forecasting Revenues
- Reinvestment and Growth
- Terminal Values



Group valuation of Target



June 8th  
We are here

August 22nd  
Fall Semester Starts



# Expectations for the Fall



If you say you will pitch, you will pitch!!

## Pitch Components

### Pitch Deck

- PowerPoint for presentation
- PDF for file

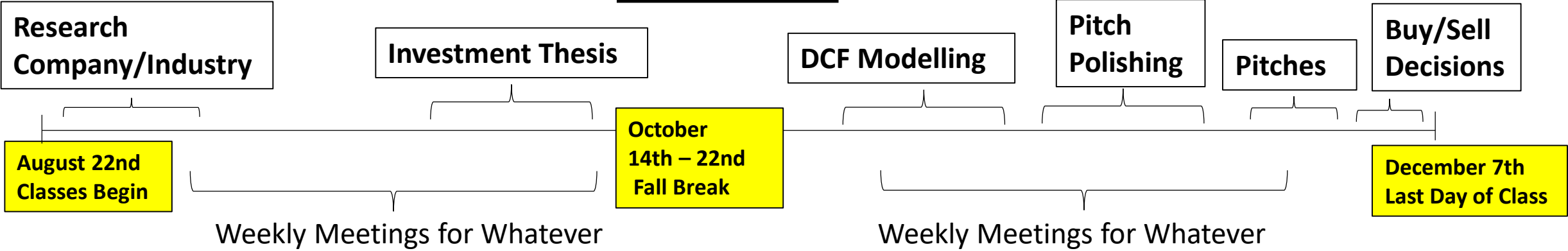
### DCF Model

- You can create your own or you can use a template that will be provided

## Pitch

10 Minute presentation with a 5 minute Q&A to follow

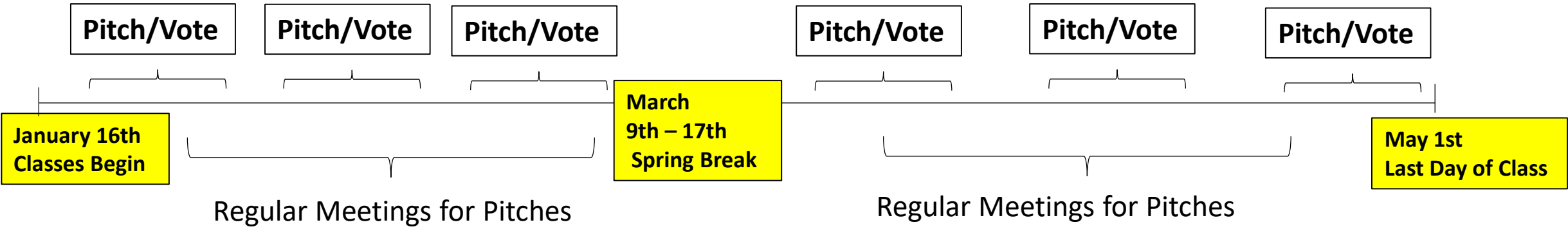
## Timeline



# My hope for the Spring



The training wheels are off. You should be able to choose a partner, find a company and construct a pitch with a DCF analysis. We can have sign ups for pitch dates and schedule meetings to see pitches and vote



# Gartner

Gartner Inc. (NYSE: IT)  
Everett Lyons and Michael O'Grady

Reccomendation: **BUY**  
Price Target: \$346.32  
Upside: 12.81%

The stock was trading at \$302 on the date of the pitch. It is currently at \$325 (+7.6%)

Unfortunately, we bought it at \$327

# Gartner, Inc. Overview



Gartner provides research insights, advice, analytics, and consulting for businesses with a primary focus on Information Technology so they can properly make high-impact decisions

## Company Overview

- Gartner is an international research and advisory firm headquartered in Stamford, CT
- The firm serves nearly 15,000 clients worldwide in 90+ countries
- While there is a massive market for consulting services, Gartner is revered in Information Technology since its founding in 1979 and finds themselves competing with fewer private firms at such a high level
- The acquisition of AMR Research in 2009 shifted the company's business concentration to its research segment and supply chain data

## Operating Statistics and Valuation Measures (\$mm)

**Market Cap** 25,155.3

**Enterprise Value** 27,609.3

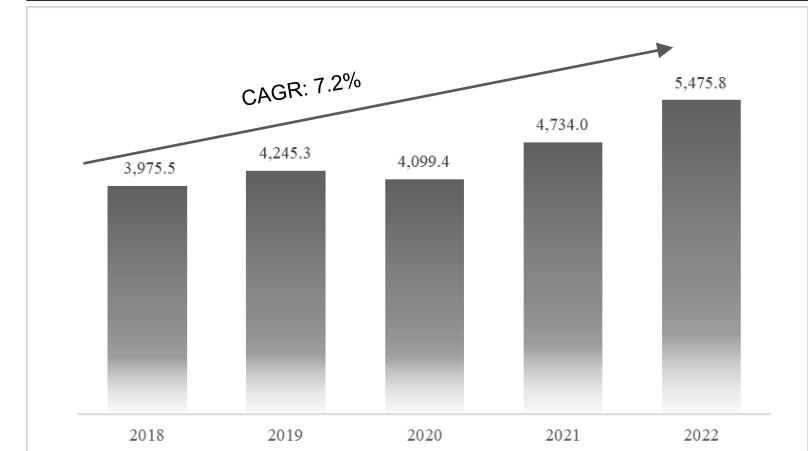
**Gross Margin** 69.1%

**EBITDA Margin** 21.2%

**TEV/EBITDA** 19.7x

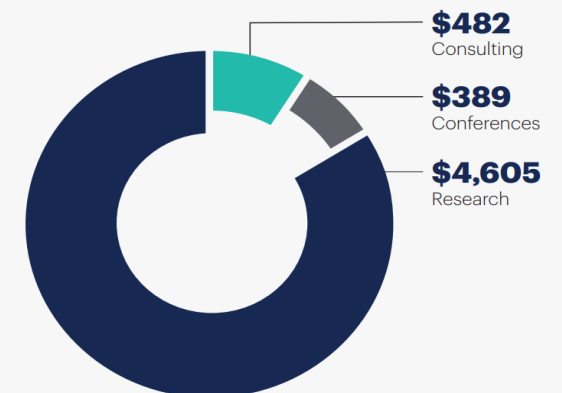
**TEV/Total Revenue** 5.0x

## Revenue Growth (\$mm)



## Segment Revenue 2022

(\$ in millions)



1

Growing dependence on IT for businesses after the COVID-19 Pandemic

2

The technology sector has outperformed the market thus far in 2023

3

Strong management, consistent growth, and strategic decision-making that reflect market changes (i.e. acquisitions, R&D, locations, etc.)

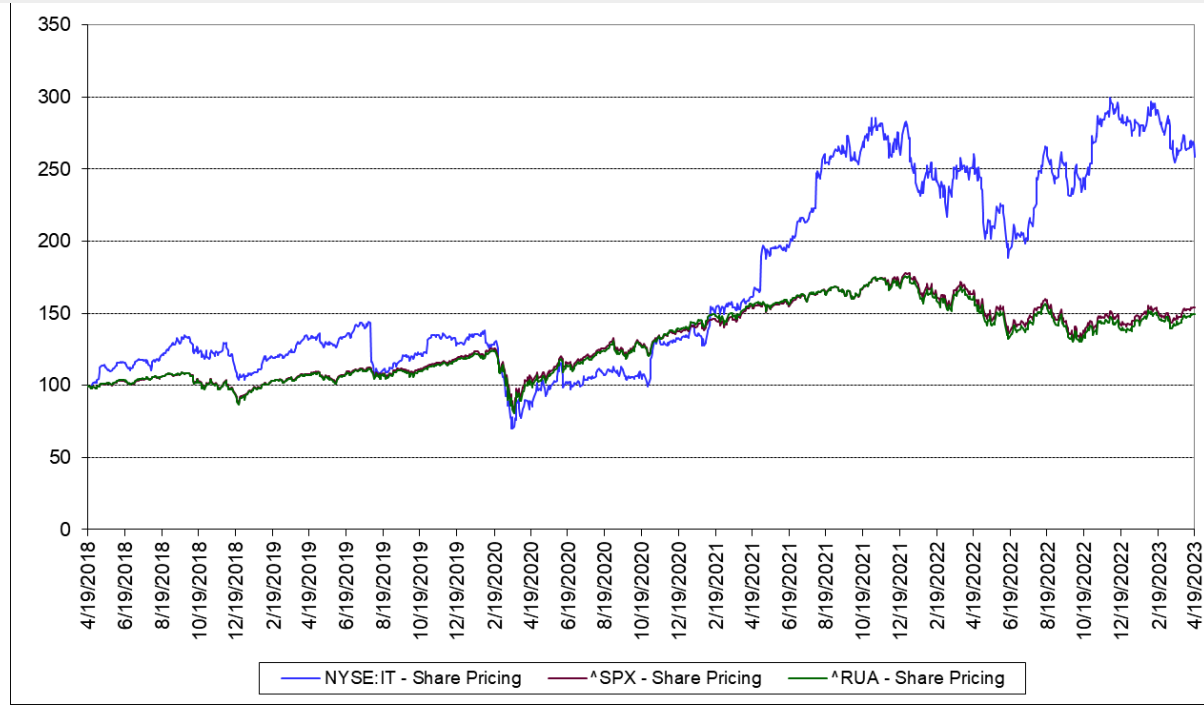
# Investment Thesis



Since the beginning of the 2020 pandemic, business needs for Information Technology (specifically due to supply chain issues) have grown, as reflected by IT's 5YR performance

## Competitive Advantages

- World leader in Technology research and advisory in a period when this industry is in a boom
- Strength in supply chain data in a period (late 2020-Present) supply chain management is a global issue for many organizations
- IT is projected to continue this growth into the future



### Worldwide IT Spending Forecast (Millions of U.S. Dollars)

	2022 Spending	2022 Growth (%)	2023 Spending	2023 Growth (%)	2024 Spending	2024 Growth (%)
Data Center Systems	\$216,095	13.70%	\$224,123	3.70%	\$237,790	6.10%
Devices	\$717,048	-10.70%	\$684,342	-4.60%	\$759,331	11.00%
Software	\$793,839	8.80%	\$891,386	12.30%	\$1,007,769	13.10%
IT Services	\$1,250,224	3.50%	\$1,364,106	9.10%	\$1,502,759	10.20%
Communications Services	\$1,424,603	-1.80%	\$1,479,671	3.90%	\$1,536,156	3.80%
<b>Overall IT</b>	<b>\$4,401,809</b>	<b>0.50%</b>	<b>\$4,643,628</b>	<b>5.50%</b>	<b>\$5,043,805</b>	<b>8.60%</b>

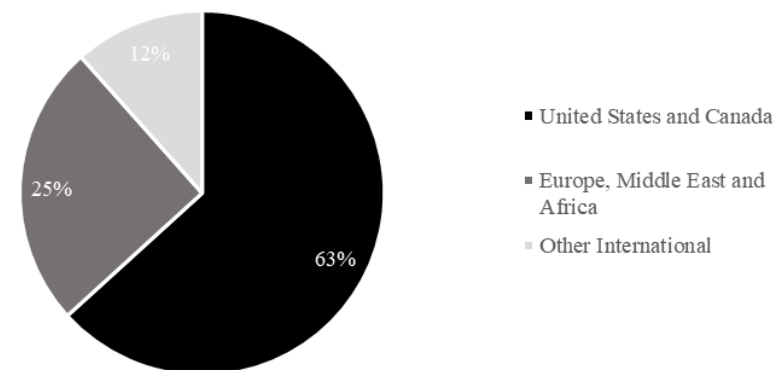
# Investment Thesis



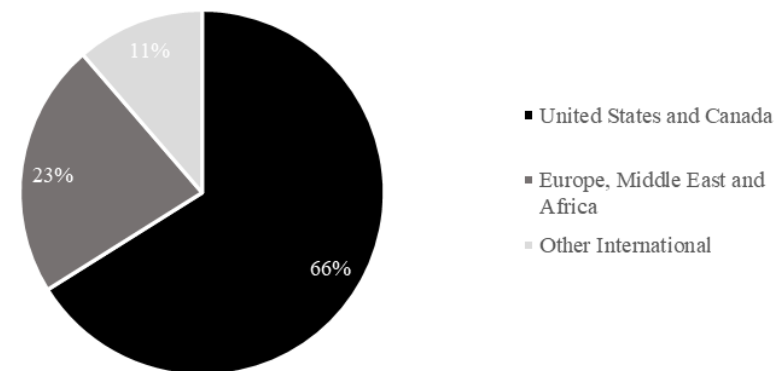
## Management & Decision-making

- Core management has been with Gartner for decades and participated in the largest organization decisions since its inception
  - Eugene Hall, CEO & Director: Joined 2004
  - Craig Safian, CFO & Exec VP: Joined 2007
  - Michael Diliberto, CIO & Exec VP: Joined 2016
- Major Acquisitions:
  - L2 (2017)
    - L2 is a member-based business intelligence firm that benchmarks the digital performance of brands.
  - Nubera (2015)
    - Nubera, whose flagship web property is GetApp, helps organizations discover, compare and choose the right business software and applications for their needs. The services provided by Nubera are highly complementary to Gartner's Software Advice business.
  - ARM Research (2009)
    - A leading research and advisory services firm serving supply chain management and IT professionals.
- Growth Opportunities:
  - Continue International Expansion
  - Summits

Geographic Segments by Revenue - 2018



Geographic Segments by Revenue - 2022



# Valuation



## Base Case

(\$ in millions)	2022A	FYE December 31,						
		2023E	2024E	2025E	2026E	2027E	2028E	2029E
<b>Total Revenue</b>	\$5,475.8	\$5,869.5	\$6,291.5	\$6,743.8	\$7,228.6	\$7,748.2	\$8,305.3	\$8,902.3
Revenue Growth	15.7%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
<b>Expenses</b>								
COGS	1,693.8	1,843.9	1,976.5	2,118.6	2,270.9	2,434.2	2,609.2	2,796.7
<b>Gross Profit</b>	\$3,782.1	\$4,025.6	\$4,315.0	\$4,625.2	\$4,957.7	\$5,314.1	\$5,696.1	\$6,105.6
Gross Margin	69.1%	68.6%	68.6%	68.6%	68.6%	68.6%	68.6%	68.6%
SG&A	2,428.0	2,602.5	2,742.5	2,889.0	3,042.5	3,203.1	3,371.1	3,546.7
R&D	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D&A	93.4	100.1	107.3	115.0	123.3	132.2	141.7	151.9
Other	98.5	105.6	113.2	121.4	130.1	139.4	149.5	160.2
Operating Expenses	2,619.9	2,808.3	2,963.0	3,125.4	3,295.9	3,474.7	3,662.2	3,858.7
<b>Operating Income</b>	\$1,162.1	\$1,217.3	\$1,352.0	\$1,499.8	\$1,661.8	\$1,839.4	\$2,033.9	\$2,246.9
Operating Margin	21.2%	20.7%	21.5%	22.2%	23.0%	23.7%	24.5%	25.2%
Income Tax Expense (24%)	219.4	243.5	270.4	300.0	332.4	367.9	406.8	449.4
<b>NOPAT</b>	\$942.7	\$973.8	\$1,081.6	\$1,199.8	\$1,329.4	\$1,471.5	\$1,627.1	\$1,797.5
<b>Cash Flow</b>								
Plus: D&A	93.4	118.9	127.4	136.6	146.4	156.9	168.2	180.3
<b>Discretionary Cash Flow</b>	<b>1,036.2</b>	<b>1,092.7</b>	<b>1,209.0</b>	<b>1,336.4</b>	<b>1,475.8</b>	<b>1,628.4</b>	<b>1,795.3</b>	<b>1,977.8</b>
Less: Increase in NWC	18.1	98.8	89.3	97.9	107.4	117.7	129.0	141.2
Less: CapEx	(118.0)	(142.2)	(152.4)	(163.4)	(175.2)	(187.7)	(201.2)	(215.7)
<b>Free Cash Flow</b>	<b>\$936.2</b>	<b>\$1,049.3</b>	<b>\$1,145.8</b>	<b>\$1,270.9</b>	<b>\$1,408.1</b>	<b>\$1,558.4</b>	<b>\$1,723.1</b>	<b>\$1,903.3</b>
Free Cash Flow Growth	(1.3%)	12.1%	9.2%	10.9%	10.8%	10.7%	10.6%	10.5%
<b>Unlevered Free Cash Flow</b>								
WACC		9.30%						
Discount Period		0.5	1.5	2.5	3.5	4.5	5.5	6.5
Discount Factor		0.96	0.88	0.80	0.73	0.67	0.61	0.56
<b>Present Value of Free Cash Flow</b>		<b>\$1,003.7</b>	<b>\$1,002.8</b>	<b>\$1,017.6</b>	<b>\$1,031.5</b>	<b>\$1,044.5</b>	<b>\$1,056.6</b>	<b>\$1,067.9</b>

## Enterprise Value

Cumulative Present Value of FCF \$6,969.5

### Terminal Value

Terminal Year EBITDA \$2,427.2

Exit Multiple 19.2x

**Terminal Value** \$46,519.8

Discount Factor 56.11%

**Present Value of Terminal Value** \$26,100.9

*% of Enterprise Value* 78.9%

**Enterprise Value** \$33,070.4

## DCF Implied Equity Value and Share Price

Enterprise Value \$33,070.4

*Less: Total Debt* \$3,184.2

*Plus: Cash & Cash Equivalents* \$704.3

**Implied Equity Value** \$30,590.5

Implied Share Price \$386.24

Shares Outstanding

79

GROW THE GOOD IN BUSINESS™

## Key Drivers

- Influence of AI approaching will generate similar trend to what was seen with supply chain issues
- Areas of growth abroad and persistence by management to head in that direction
- Less acquisitions since pre-pandemic shows organic growth as an organization
- Technology's dominance in markets to date



# Valuation



## Comps

### Valuation Statistics

Company	Ticker	Market Capitalization	Enterprise Value	EV / Revenue		EV / EBITDA		Price / Earnings		Net Debt
				FY2022	LTM	FY2022	LTM	FY2022	LTM	
Equifax Inc.	EFX	\$24,018	\$29,589	6.0x	5.8x	18.4x	19.2x	41.0x	41.0x	\$5,571
Verisk Analytics, Inc.	VRSK	29,828	33,667	12.6x	13.5x	25.1x	27.0x	29.4x	29.4x	\$3,839
EPAM Systems, Inc.	EPAM	16,660	15,111	4.1x	3.1x	25.1x	19.3x	40.7x	40.7x	(\$1,548)
Booz Allen Hamilton Holding Corp.	BAH	12,999	15,704	1.6x	1.7x	14.4x	18.6x	30.5x	30.5x	\$2,706
FTI Consulting, Inc.	FCN	6,572	6,649	-	2.2x	-	18.5x	30.0x	30.0x	\$77
<b>Gartner, Inc.</b>	<b>IT</b>	<b>\$24,323</b>	<b>\$26,777</b>	<b>5.0x</b>	<b>4.9x</b>	<b>71.4x</b>	<b>20.4x</b>	<b>30.8x</b>	<b>30.8x</b>	<b>\$2,454</b>

Low	\$6,572	\$6,649	-	1.7x	-	18.5x	29.4x	29.4x
Mean	18,016	20,144	4.8x	5.3x	16.6x	20.5x	34.3x	34.3x
Median	16,660	15,704	4.1x	3.1x	18.4x	19.2x	30.5x	30.5x
High	29,828	33,667	12.6x	13.5x	25.1x	27.0x	41.0x	41.0x

### Operating Statistics

Company	Ticker	Revenue		Revenue Growth		EBITDA		EBITDA Margin	
		FY2022	LTM	FY2022	LTM	FY2022	LTM	FY2022	LTM
Equifax Inc.	EFX	\$5,122	\$5,061	4.0%	(0.3%)	\$1,658	\$1,544	32.4%	30.5%
Verisk Analytics, Inc.	VRSK	2,497	2,497	1.4%	1.4%	1,249	1,249	50.0%	50.0%
EPAM Systems, Inc.	EPAM	4,825	4,825	28.4%	28.4%	783	783	16.2%	16.2%
Booz Allen Hamilton Holding Corp.	BAH	8,364	9,064	6.4%	11.8%	922	846	11.0%	9.3%
FTI Consulting, Inc.	FCN	3,029	3,029	9.1%	9.1%	360	360	11.9%	11.9%
<b>Gartner, Inc.</b>	<b>IT</b>	<b>\$5,476</b>	<b>\$5,476</b>	<b>15.7%</b>	<b>15.7%</b>	<b>\$382</b>	<b>\$1,314</b>	<b>7.0%</b>	<b>24.0%</b>

Low	\$2,497	\$2,497	1.4%	(0.3%)	\$360	\$360	11.0%	9.3%
Mean	4,767	4,895	9.9%	10.1%	994	956	24.3%	23.6%
Median	4,825	4,825	6.4%	9.1%	922	846	16.2%	16.2%
High	8,364	9,064	28.4%	28.4%	\$1,658	\$1,544	50.0%	50.0%

### Comps Implied Equity Value and Share Price

Enterprise Value	\$25,193.7
Less: Total Debt	\$3,184.2
Plus: Cash & Cash Equivalents	\$704.3
<b>Implied Equity Value</b>	<b>\$22,713.8</b>
Implied Share Price	\$286.79
Shares Outstanding	79

## Downside

Revenue Growth at 4% for if they remain stagnant for the next few years

### Implied Equity Value and Share Price

Enterprise Value	\$26,846.7
Less: Total Debt	\$3,184.2
Plus: Cash & Cash Equivalents	\$704.3
<b>Implied Equity Value</b>	<b>\$24,366.8</b>
Implied Share Price	\$307.66
Shares Outstanding	79

## Assumptions:

## Upside

Revenue Growth at 9.3%, contributed to momentum over the past three years

### Implied Equity Value and Share Price

Enterprise Value	\$35,917.3
Less: Total Debt	\$3,184.2
Plus: Cash & Cash Equivalents	\$704.3
<b>Implied Equity Value</b>	<b>\$33,437.4</b>
Implied Share Price	\$422.19
Shares Outstanding	79

# Target Price



DCF Fair Value Estimate with Comps				
% Target	% FVE			
66.67%	50% Base		\$386.24	FV Base \$353.43
	25% Upside		\$422.19	FV Upside \$377.39
	25% Downside		\$307.66	FV Downside \$301.04
33.33%	Comps Estimate		\$287.79	
Target Price			\$346.32	

# Don't Panic!! This is supposed to be fun!

## Fund Objectives:

- 1) Learn how to choose a stock, how to value the company, and how to present that valuation
- 2) Beat the S&P 500 (This is a **VERY** distant second)



- **Perfection is not expected. All that I ask of you is an honest effort!**
- If you don't have a completed pitch, that's ok....you can still present and get helpful feedback on how to proceed
- **We are here to learn from each other. The more we share with one another, the more we learn!**
- If there is something you need help with, just ask!
- We can use meetings to cover anything that is giving you a hard time!

# Online Resources available to you



Available for free from the NDIGI. You have access to the entire catalog of self-study Excel, financial modeling, and technical interview prep courses.

**S&P**  
**CAPITAL IQ**

Available for free through Notre Dame. CapIQ is a market intelligence platform designed by Standard & Poor's (S&P). The CapIQ platform provides research, data, and analysis on private and public companies.

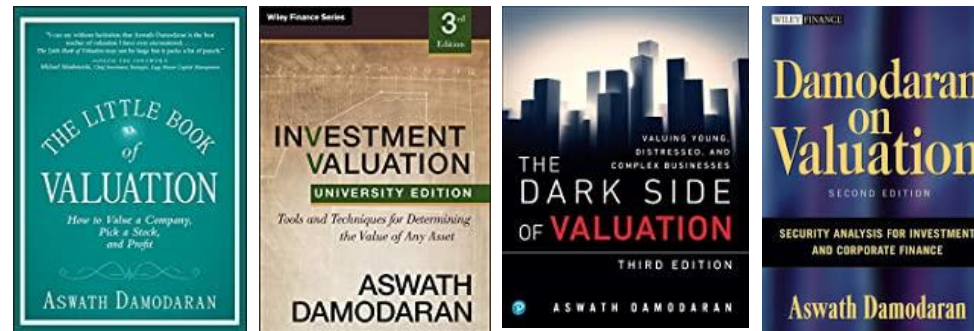
Notre Dame  
**INVESTMENT CLUB**

The undergraduate investment club website has pitch templates, DCF templates and a database of past pitches – some of which have been presented at pitch competitions (some have even won pitch competitions!). They also have suggested readings, podcasts and blogs.

# More resources!



A Professor of Finance at the Stern School of Business at New York University. Aswath Damodaran teaches corporate finance and valuation courses in the MBA program as well as occasional short-term classes around the world on both topics. He has also written four books on equity valuation.



# Even more resources!!

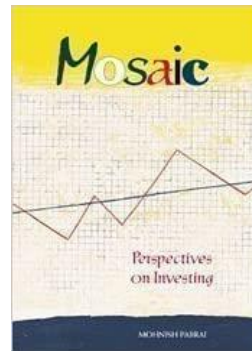
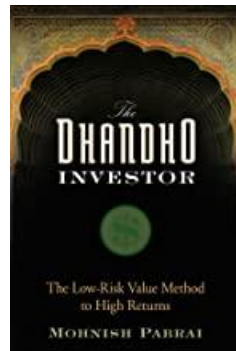


**Mohnish Pabrai** is an Indian-American businessman, investor, and philanthropist. He is the managing partner of the Pabrai Investment Funds (a family of hedge funds inspired by Buffett Partnerships), which he founded in 1999.

Pabrai has high regard for Warren Buffett and admits that his investment style is copied from Buffett and others. He has written a book on his investing style: *The Dhandho Investor: The Low - Risk Value Method to High Returns*.

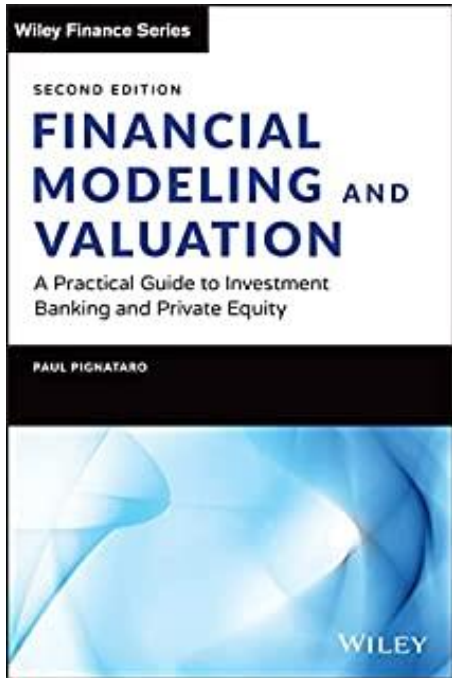
Another book by Pabrai is *Mosaic: Perspectives on Investing*. In this book Pabrai has distilled the Warren Buffett method of investing down to a few points.

By the way, Mohnish will be giving a presentation (virtually) on campus Friday, September 29th at 12PM (time is subject to change...stay tuned!)

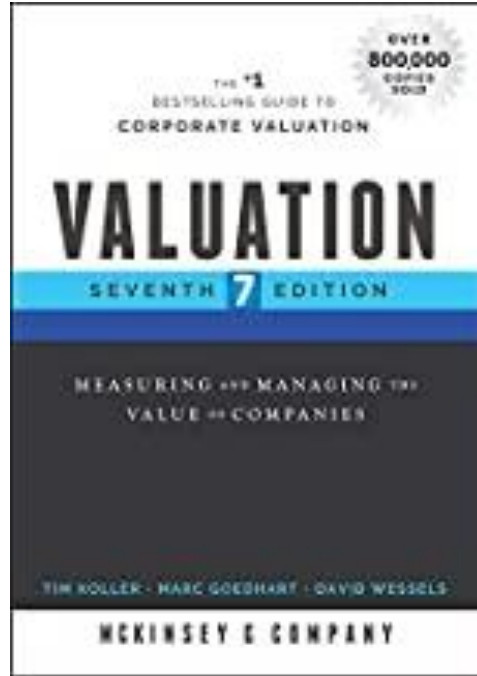


He has written two books and has many videos on YouTube.

# Still more resources!!!



Written by the founder and CEO of the world-renowned New York School of Finance, Financial Modeling and Valuation provides clear and systematic guidance on accurately evaluating the soundness of a stock investment.



Now in its seventh edition, this acclaimed volume continues to help financial professionals around the world gain a deep understanding of valuation and help their companies create, manage, and maximize economic value for their shareholders.



Sonkin and Johnson have written the ultimate "survival" guide for someone embarking on a career as an investment professional. This book provides valuable shortcuts to experience more hits and fewer misses."

# To Do List

Think...is this something you are interested in? What is your level of commitment?

- Choose leadership
- Fund manager
  - Assistant Fund Manager(s)
  - Associates

Decide when and how often we meet over the summer

Let the valuations begin!!!







Thank You!  
Questions?